A New International Decimal Money System

By

JOHN S. ALEXANDER

35 Cents Postpaid
Three Copies, $1.00

NEW YORK
COLUMBIA UNIVERSITY PRESS BOOK STORE
2960 BROADWAY
1916

Why Not An Asiatic Monroe Doctrine to Solve the Russian Problem

A Backfire Against the Western Drive---How to Rend Financial Assistance

JOHN S. ALEXANDER

June 20, 1918

THE PATRIOT

Official Organ of The Patriotic Service League, Inc., 2745 Broadway, New York City.
Telephone, Academy 1808.

GEORGE EDWARD LOWEN - - - Managing Editor
WM. S. B. DANA - - - - - Associate Editor

Contributing Editors: GERTRUDE ATHERTON, Author; DOUGLAS Z. DOTY, Editor, Century Magazine; FABIAN FRANKLIN, Former Editor, N. Y. Evening Post.

A solution of the Russian problem may be found in the suggestion that an Asiatic Monroe Doctrine be declared and sustained by a coalition of the Asiatic powers in the Entente—including Russia and the United States—together with China and Siam, for the maintenance, against German aggression, of the present international boundaries in Asia and adjacent islands, and the prevention of alien interference with the right of the people of these powers to determine the form of government for themselves and their dependencies. The initiation of a movement to this end would, no doubt, offer an immediate rallying point for the good-government elements in Russia ready to strive for the re-establishment of a United Russia.

Present Time Opportune

This is the psychological moment for such a measure; the western drive for a military decision and a German peace, while Russia is out of the reckoning, has brought the other world powers face to face with the necessity, for their own future, of preventing such a misfortune by mobilizing their strength against the common enemy. Coordination of effort could be more quickly reached, just now, than might be possible in ordinary circumstances.

The details of the coalition could be easily settled by the diplomatic representatives of the powers concerned; it should be for as long a term as the present menace exists, and be subject to renewal. Provision should be made for the members respecting the territorial integrity of each other, and likewise for protecting Arabia, Persia, Siam and the Dutch East Indies, because of their vital importance to the security of the coalition. To permit Germany to Gibraltarize the Sunda Strait would be unthinkable. This short and direct passage from the Indian Ocean to the China Sea and the Phillipines is but fifteen miles wide, with an island in the middle.

Although Holland may, for obvious reasons, be debarred from joining the coalition, its eastern colonies should, in the event of the home government being unable to hold them, be prevented from passing into hostile control by encouraging the Dutch colonists to establish an independent, local government under the protection of the coalition.

Good Effect on Russia and China

The mutual understanding effected by such a coalition would remove Russian and Chinese suspicions of designs upon their territory, and permit the great man-power resources of those countries to be made available for the restoration of the entire eastern battle front, as a backfire against the present Teutonic drive. In view of the future economic and commercial relations, reasonable fair trade agreements could be entered into in due course, within the coalition, particularly guarding against the exploitation of the natural resources and productive industries of any coalition member by the common foe. The United States, as an Asiatic power by reason of its Philipine dependency, together with Japan, would naturally be looked to by Russia and China for arms, munitions and other supplies, as well as for political and military advice.

How Financed Economically

The financial support of any such movement would devolve, in great measure, upon the United States, and war loans be required from it to some of the associated powers; likewise, advances, either public or private, would be necessary, especially in Russia for the rehabilitation of agriculture and industry. In this connection, it would be possible for the United States government, as a world banker, to give aid by loaning its credit—without itself borrowing at interest—in the form of issues of international currency, based on a new gold unit readily interconvertible with any local money standard, and so be kept outstanding as a much needed foreign trade convenience; of some such nature as the tentative suggestion of the writer in a pamphlet, published in 1916, entitled: "A New International Decimal Money System," which may be consulted in the Library of Congress, the New York Public Library and the libraries of the leading universities; and, also, in the files of "The Accountant"

(London), where it was reproduced, December 2 and 9, 1916.

Indeed, it is strange that some kind of international money has not been already issued, as a war measure, to steady the world's foreign exchange rates; which, as every banker knows, are now guess work or speculative risks rather than fixed by reliable quotations. Word comes from the Ukraine that sellers demand American money; no doubt, made familiar by past mail enclosures from Russian immigrants here. Mexican oil exports and even that government's export taxes are based on United States currency. In consequence, it is in urgent demand and sought after in neutral countries. Undoubtedly, much of the ocean freight and the payments for coffee, sugar, rubber, petroleum and other non-American imports, would be accepted in an international currency, issued by the United States, on a thirty-three per cent. reserve, either in gold or in the bonds of Ally governments now lying dormant in the Treasury. Similar issues by foreign branches of American national banks, secured by Liberty Bonds, would serve a useful purpose in laying the foundation for future foreign trade. Every billion of United States international currency so used, would save the government forty millions of annual interest, and render unnecessary the borrowing of the principal on its gold bonds.

In considering China, it is worthy of notice that hundreds of selected Chinese youths are studying American political and commercial methods in our universites, who on their return will take a leading position in influencing the future policies of that great Empire. The tenets of the Monroe Doctrine have not only recognition in both Americas, but are at work in Australia and New Zealand, where already the determination is expressed to keep German militarism out of the South Pacific; therefore, with a great coalition extending eastward from Russia's European boundary, Prussianized Germany, would, like the American Red Indian, be kept upon its restricted European reservation and made powerless to further disturb the peace of the world.

Book Publishers Press, 227-239 West 17th St., New York.

Comps. of John S. Alexander. 15 Broad St. N.Y. City

A New International Decimal Money System

HOW TO STOP EUROPEAN LIQUIDATION OF AMERICAN SECURITIES

BENEFITS OFFERED TO FOREIGN BONDHOLDERS AND BELLIGERENT GOVERNMENTS

BENEFITS TO COMMERCE AND NEUTRAL COUNTRIES

BENEFITS TO AMERICAN COTTON PLANTERS

By

JOHN S. ALEXANDER

Member (1879) American Metrological Society; Member National Geographic Society; Author of Pamphlets on: "A Union Dollar"; "Gold Basis for Mexico"; "International Money Orders"; "Ocean Trade Routes," etc.

35 cents postpaid; three copies, $1.00

NEW YORK
COLUMBIA UNIVERSITY PRESS BOOK STORE
2960 BROADWAY
1916

Preface

THE following pages are a grouping together of studies by the writer in search of an international money standard; with some suggestions, bearing upon the application of the system outlined, which have been prompted by present-day international problems, both in trade and in finance.

The subject, however, is so broad in its scope that any new method is necessarily tentative, and can hardly be more than a contribution to the general discussion. Any criticisms and suggestions would, therefore, be welcomed, with the hope that they may lead to a re-awakening of interest in an important question, which has been more or less dormant since the unavailing efforts, at the different Paris monetary conferences, to unify coinages on the basis of the French metric system.

JOHN S. ALEXANDER.

15 Broad St., New York,
March, 1916.

AN INTERNATIONAL MONEY SYSTEM

IT has long been the hope of the financial economist to see a unification of the money standards of the world; and, thereby, the perplexities of international exchanges brought to an end.

Many plans have been proposed; but, as a rule, they have been too revolutionary; the author in almost every instance seeking to require other nations to harmonize their systems, as far as possible, with his own national standard; furthermore, all methods proposed are persistently met with the argument that any important change would derange existing contracts, wage-scales, standards of living and other bases of the domestic dealings and the social welfare of the individual nations. Nevertheless, some progress has been made, as appears from the adoption of the franc by the Latin Union; the krone by the Scandinavian Union; the mark by the German Empire—made up of some twenty-six sovereign states and free cities, many of which had different standards and each

of the larger sovereignties circulated its own coinage; the dollar, by the United States, British America and Colombia; the Mexican silver peso, by much of the Orient, including the British colonies of Hong Kong and the Straits Settlements; and, furthermore, the 25-gramme silver peso, of many states of Latin America, is simply the familiar French five-franc piece with a Spanish name.

While it must be admitted that an analysis of these monetary unions reveals the fact that after all they are to a great extent racial and linguistic groups; still, their existence is an advance over conditions prevailing forty or more years ago, when it was common advice to a traveller in Germany to throw away his small change every morning; for, during the day, he would come in contact with two or three other kinds of money.

International Unit of Account

However, as the writer advocated in two pamphlets published during the silver controversy, it would be a great advance, covering much of the ground hoped for by general unification, to establish an international unit of account; that is to say, a bookkeeping and price-list standard, for use in foreign trade

without waiting for the former or in any way disturbing domestic monetary systems; provided a unit be found that would be readily inter-convertible with the latter without, if possible, resorting to fractions.

Present Stress and Need of Relief

It is the purpose of the following pages, however, to show that the present world war is an opportune time to go even further and adopt an international money system, based on such a unit of account, as a relief to the financial stress of the belligerents and the indirect, yet none the less important, effect of that strain upon the neutral powers. This insidious and not generally realized effect on this country has already caused the loss, temporarily at least, of thousands of millions of dollars by the depression of American bonds and stocks, through the constant liquidation of European holdings thereof; the continuation of which liquidation will be induced, more and more, by the high interest rates offered by the European powers and their urgent appeals to their own people to sell out abroad and reinvest in their own loans, as a patriotic measure.

This liquidation is not only lowering

the prices of the holdings of domestic investors, but has affected the credit, and, in consequence, abnormally limits the borrowing ability of American railway and other public service organizations; and, although the foreign offerings are now being absorbed, the burden of doing so will sooner or later be felt; and, moreover, when necessary to re-sell these accumulations abroad, it will be at a new effort and expense, because of the loss of touch with the present holders and the necessity of finding new purchasers.

Therefore, it is not only desirable but prudent that means be devised, on behalf of all concerned, to render it unnecessary for foreign holders to thus force a sale of their American securities, on a falling market, to either aid in meeting the war's great cost; or, in the case of present neutral countries, in providing against possible eventualities.

The shortest course to this end would be for the holder to loan his securities to his own Government, as has already been done to some extent, for use as collateral for temporary borrowings, in order, without shipping gold, to settle international balances more promptly and on more favorable terms than by floating bonds.

International Currency Plan

In view of the foregoing, the following plan is suggested:

(1) That each borrowing nation invite holders of well-established foreign securities to deposit them, as a loan to the Government, in exchange for its interest-bearing certificates of deposit, issued in each case for ninety per cent of the value of the deposit; such certificates to run for a fixed term, subject to one renewal at the option of the Government; interest to be payable semi-annually and free from income tax.

Accompanying the interest-bearing certificate, the Government to give its receipt for the deposited securities entitling the holder to receive any excess of interest they may yield above that paid on the Government's certificate. At maturity, the Government to return the deposited securities on the presentation of the receipt, together with either the original interest-bearing certificate or others of a similar tenor and amount.

(2) The Government to issue, either direct or through special banks, on the security of the re-deposited interest-bearing certificates, a New International Paper Currency, described hereinafter, equal to their face value. This currency,

having the Government's credit and the deposited securities behind it, would undoubtedly be accepted in settlement of foreign trade balances, ocean freights and all accounts-current expressed therein; and, by thus serving as an international medium, it would obtain a world-wide circulation.

International Monetary Unit

The proposed currency to be issued in a new unit, serving both for this purpose and as the unit of account, to which a preceding paragraph refers; for use, in the latter sense, wherever, for lack of this currency, settlements would necessarily be made in local money.

Such a unit should be larger than the franc, with its intangible centime, and smaller than the pound sterling—for even in Great Britain the masses think in shillings and only the few in pounds and guineas; above all, it should be divisible decimally.

A very natural and seemingly simple basis for this unit would be a pennyweight—24 grains—of fine gold, the twentieth of an ounce troy; but a standard of this value would not be readily inter-convertible with other standards, on account of the complexities of the latter. However, this objection would

be practically removed if the fine gold contents be reduced to 23.54 grains, making it the equivalent of 100-480 of a pound sterling—113 grains of fine gold—or 23.5416 grains; this being the value of 100 half pence and of 101.42 U. S. cents.

This proposed unit might be termed, as a contraction of: Unit of International Money, a Unim; its hundredth part, a Centim; its thousandth, a Millim; and its ten thousandth, a Minim; following the same termination to distinguish them from the sub-divisions of other decimal systems; or, as expressed in tabular form:

10 Minims make one Millim.
10 Millims make one Centim.
10 Centims make one Decim.
10 Decims make one Unim.
10 Unims make one Aurim (gold piece).

NEW DECIMAL SYSTEM

By this adoption of the centim as the equivalent of the half-penny, a new decimal system would be formed, into which conversion from the various standards of the commercial nations could be effected almost entirely without fractions, as shown by the following table:

1 Pound sterling	480	Centims
15 Rupees (India)	480	"
10 Soles (Peru)	480	"
4500 Reis (Portugal)	480	"
10 Pesos (Chili)	360	"
1 Medjidie (Turkey)	360	"
3.75 Kroner (Scandinavian Union)	100	"
2½ Guilders (Holland)	99	"
1 New Dollar (Colombia, 1903)..	98.6	"
1 Dollar (U. S.)	98.6	"
1 Dollar (British America)......	98.6	"
5 Francs (Latin Union)	95	"
2 Gulden (Austria)	95	"
1 Sol (Argentina)	95	"
1 Peso (Colombia)	95	"
1 Rouble (Russia)	50.7	"
1 Yen (Japan)	49.2	"
1 Peso (Mexico)...............	49.2	"
1 Peso (Peru)	48	"
1 Peso (Chili)	36	"
1 Rupee (India)	32	"
1 Shilling sterling	24	"
1 Mark (Germany)	23.5	"
1 Franc (Latin Union)	19	"

Note—This table bears no relation to fluctuating exchange rates. It is made up from the gold value of each unit, as given in the Encyclopædia Britannica (11th Edition).

Unim and Dollar Compared

The unim of 100 centims would be a better unit for the desired purpose than the U. S. dollar of 100 cents; because the latter, being one and four-tenths per cent less in value, could not be used without the intervention of tangible fractions; which in the above table are eliminated, except in four instances: the dollar, the rouble, the mark, and the yen.

Method of Conversion

Converting any standard into unims would be, by simple multiplication; and vice versa by equally simple division. Examples:

100 francs × .19 = 19 unims; 100 unims ÷ .19 = 526.32 francs; 10 pounds × 4.80 = 48 unims; 10 unims ÷ 4.80 = 2 pounds, 1 shilling, 8 pence; 5 shillings × .24 = 1.20 unims; 5 unims ÷ .24 = 20 shillings and 10 pence; $50 × .986 = 49.30 unims; 50 unims ÷ .986 = $50.60; 100 rupees × .32 = 32 unims; 100 unims ÷ .32 = 312.50 rupees; 100 soles (Argentina) × .95 = 95 unims; 100 unims ÷ .95 = 105.26 soles; 100 milreis (Brazil) × .54 = 54 unims; 100 unims ÷ .54 = 185.185 milreis.

The millim or even the minim would be available wherever found necessary to run the calculation out to a finer point; for instance in treating the dollar as 9859 minims instead of 986 millims.

Circulation of the Currency

As no interest would be paid on this international currency, any Government issuing it would profit by keeping it in circulation as long as possible; therefore, it could decree that its foreign trade transactions, ship accounts for freight, passage, wages and supplies, insurance, consular fees and import duties should be expressed and paid therein. It would not be, in any sense, foreign exchange; nor, as long as kept at par, would there be any reason for sending it home for redemption. American cotton or grain, West Indian sugar, Brazilian coffee could be paid for by the buyer's check in unims, instead of by a sterling bill of exchange. The currency payment would be immediately available, needing no bank intervention between buyer and seller, except to collect and credit the amount of the check, without conversion into any intermediate money.

The local banker would, it is true, have to keep accounts in two currencies; but this would be the same as the frequent practice of carrying separate accounts in gold and greenbacks during the civil war. In fact, one of the valuable features of the system would be that the depositor could keep his inter-

national money intact, and avoid the loss of converting and re-converting it in meeting his varying foreign trade requirements. He could, for that matter, deposit his international currency in one bank and his domestic money in another. Bankers open trust, agency, special and other forms of accounts with the same individual, without inconvenience to him or to themselves.

II.

REGISTRY METHODS

The bonds and stocks desposited with the Government could be registered, and so safe-guarded against risk of capture by an enemy or loss at sea. Likewise, the international currency, in the larger denominations, could be transferred from one financial center to another by an easily devised registry system, in the settlement of balances, at less cost and risk than by shipping gold. Gold renders allegiance to no master except its possessor; and per se serves the latter as well—whether his by capture or by sack—as if he dug it from the mine. If gold is sunk at sea, it is a world loss; the loss of international paper currency would involve merely the issue of duplicates of the same numbers.

World's Gold Reserves

The credit transactions of the world in general would be better served by keeping the gold supply distributed among the nations, as at present, than if depleted abnormally in some places and

unnecessarily accumulated in others. Hence, any measure, just now, tending to meet foreign trade obligations, without the present risk of loss in transit of the metal itself, or of disturbing the normal financial equilibrium by withdrawing gold reserves from the great government banks, would be opportune; especially, wherever needed to prop up what are probably over-issues of note circulation. If the United States as the greatest creditor nation, at least in the way of current transactions, could with safety to itself take the lead in rendering this aid to others immediately less favored, the service would undoubtedly be appreciated where the strain is being felt, and at the same time beneficially react upon its own financial welfare.

United States Co-operation

The question here arises: How can this country aid in establishing and maintaining such an international currency system? That the United States is deeply interested in any movement with the object of lessening the sale here of its foreign-held securities needs no argument; and this Government could no doubt find some way, in the interest of export trade, to issue its share of such currency through the federal reserve

banks; and, moreover, it would be desirable to seek to promote parity among all the international issues and provide for their circulation, free from taxation, and for their interchangeability at least in relation to foreign commerce.

But to induce the circulation of its issues abroad, foreign issues should have some recognition by the United States Government, even if only so far as permission to be deposited and drawn upon, as so much merchandise under the same rulings as apply to transactions in bullion and foreign gold coin.

Possible Volume of International Issues

It is wholly within the probabilities that a billion unims of all issues of international currency could be employed and kept outstanding by the needs of foreign commerce, generally; replacing that much of the gold reserves for the purpose; and, at the same time, be of the greatest service to the belligerents and incidentally to the neutral powers in settling their trade balances. Besides, this currency would be carried in pockets more conveniently than gold and find its way into channels where that metal does not usually go.

Bills of Exchange in Unims

Foreign commercial dealings being large in volume, oftentimes for the entire cargo of a vessel, the unim in the capacity of a unit of account would enter into transactions involving the drawing and acceptance of bills of exchange, writing of insurance, use of bank checks, etc., in that standard; in consequence, the ratio, to the volume of trade, of the currency actually changing hands might not be greater than in the present circulating media; nevertheless, the outlays of tourists and other hand-to-hand payments, the maintenance of bank reserves, clearing-house adjustments, etc., would fully employ any reasonable issues made in the above manner. Moreover, there would undoubtedly grow up a use of this currency among the less advanced nations, in preference to their own less stable issues; for it would be par in any city or port in Europe, Asia, Africa or the Americas.

Protection Against Further Declines

Any fall in the market value of the securities, after deposit with the Government, would not affect the latter; for the reason that at their ultimate return the Government would merely thereby re-

deem its interest-bearing certificates, on which it has lost nothing; for it has received, as the result of the transaction, the benefit of the currency issued. Should, however, the ten per cent margin be extinguished by such decline, and the depositor be required to make it good, as in any other transaction on a margin, he could do so, without a further deposit, by simply surrendering a sufficient part of the amount he had originally received in interest-bearing certificates to cover the decline. He would still receive the income the securities yield, and be in precisely the same position as if he had held the securities in his own possession, in face of the decline. If, on the other hand, he desired at any time to sell, he could do so by assigning, without recourse, the Government's receipt for the deposit, either in connection with the transfer of the corresponding interest-bearing certificate, or as a "redemption right," and thereby make it a separate transaction.

While the question might be raised: Why could not the Government issue the currency direct without the intervention of the deposited securities? The answer would be: That the psychological effect would be greater and the cur-

rency circulate more freely, if so secured than if simply a fiat issue; and, furthermore, the method suggested would be more in keeping with the entire conception of paper circulation among the great nations, to wit: That it must be protected either by metallic reserves or other tangible security.

Ultimate Security for Currency

At the maturity of the interest-bearing certificates and the withdrawal of the deposited bonds and shares, the Government could continue the security for its currency issues by substituting, for the withdrawn deposits, its own interest-bearing obligations of the class quoted above par in the open market, or the equivalent, if the bonds be below par. Provision should be made for this formality, instead of relying on the unsecured guaranty of the currency, for the reason that most European governments would probably prefer that the currency be issued through certain banks than by themselves.

This currency would, no doubt, become so necessary to the world's commerce that it would be permanently continued, probably with more or less rivalry among the nations to keep their respective issues current, especially if

the issues be made by the Government banks. This would lead to the maintenance of proper gold reserves to insure prompt redemption on demand.

Redemption on Presentation

Up to this point no reference, except inferentially, has been made to the redemption quality of the proposed currency. It goes without saying that a paper issue to be current and possess parity should be redeemable in gold coin, on presentation. This question could be safely left with the governments themselves; for in the endeavor to keep their issues afloat, the necessity of prompt redemption will always be kept in view. While in the tentative note forms hereinafter appearing, redemption is to be in the deposited securities, the option is retained of redeeming in whole or in part in gold coin. This form is suggested simply to meet the question: Whether the currency might not under stress, at some future time, be resolved into an irredeemable fiat issue?

Subsidiary Coins

For convenience, a silver, nickel and copper subsidiary coinage in half unim pieces (semims); quarters (quartims); tenths (decims); five and one centim

pieces would be necessary. These could be circulated without either security or a legal tender quality for more than five unims. Redemption could be provided for in similar subsidiary money of the minting Government. Futhermore, as with all subsidiary coins, they would be but tokens without relation to their intrinsic value, the semims could bear besides "50 centims," the denomination of the coin nearest in value minted by the same Government; for example: "50 cents or 2½ francs; the quartims, besides 25 centims; "25 cents" or "one shilling"; the twentieths, besides "5 centims"; "5 cents"; 2½ pence; "20 pfennige"; or "10 copecks"; and the coppers, besides one "centim"; "one cent"; ½ penny or "5 centimes." Which double denominations would signify that the coins were current at either, up to five unims for the silver and 50 centims for the baser coins, and redeemable by the issuing mint in its own standard money, as indicated. As the intrinsic value of all corresponding coins could be made the same, such redemptions would be at no loss except the cost of recoining in case redemptions exceeded the demand for re-issues. This provision would re-

strict over coinage by any Government tempted to use a surplus of silver in this way.

Co-Ordination With British System

The foregoing would bring the unim system into relation with British sterling—and be a long step toward decimalizing the latter—as follows:

1 centim piece equals a half penny.
2 centim piece equals one penny.
5 centim piece equals 2½ pence.
10 centim piece equals 5 pence.
20 centim piece equals 10 pence.
25 centim piece current as one shilling.
50 centim piece current as two shillings.

Up to the 25-centim piece there would be perfect equality; but as this coin would be valued at a half penny more than the shilling, no one could object to accepting it as a shilling; on the other hand, the holder of the coin would, generally speaking, prefer to pass it as a shilling than take it to the money changer; the same argument would apply to the 50-centim piece passing current as two shillings. These two coins, however, in multiples of five unims, would be exchangeable for the currency at the unim value of four shillings and two pence; and, therefore, be sought after in retail transactions.

Gold Coinage

There would be many advantages in supplementing the paper issues and the subsidiary coins by a gold coinage based upon an aurim, or ten-unim gold piece; with a half aurim and a double aurim of five and twenty unims, respectively. The aurim piece to contain 235.4 grains of fine gold, in the proportion of nine-tenths gold to one-tenth alloy; that is, 900 fine.

This gold coinage to be used where required in settlement of international balances, without the remelting and running into bars now practiced by national mints on receipt of foreign gold coins. The necessity of the latter practice would be obviated by the making of such aurim coinage bankable and legal tender in all countries recognizing the unim standard in international transactions.

Another argument in favor of the aurim coinage is that it would offer an additional use for the increasing supply of the gold metal. A ten-unim piece would be in keeping with the decimal system and be more easily handled and counted than one of smaller size. It would also wear better; and, if its thickness be somewhat less than that of the American eagle-piece and with a well-

milled edge, it would hardly tempt the wrong-doer to tamper with it.

The equivalents in other gold standards would be: One aurim (10 unims): \$10.14; £2.1.8; 52.60 francs. Half aurim (5 unims): \$5.07; £1.0.10; 26.30 francs.

Fractions

In most conversions from one standard to another there are negligible fractions under any system, which are considered as covered, as a rule, by the mint "tolerance" or "remedy"; that is, the allowance, before their withdrawal from circulation, for wear of coins, unavoidable mechanical defects in minting such as variations in thickness and weight, and for the irreducible dross contents of the bullion; generally in gold pieces this "tolerance" is three-tenths of one per cent, sometimes more. "Tolerance" is considered as sufficient by the cambist (exchange expert) to so minimize as to render negligible the intangible differences between standards in ordinary money exchange transactions. However, by the use of millims and minims, the conversion of a considerable sum from any unit of account into unims or vice versa may be calculated with ease and as great precision as the most exacting accountant could desire.

III.

HISTORICAL.

French Discussions of Universal Money

IN connection with the exhibitions of 1867 and 1878, international monetary conferences were held in Paris, under governmental auspices, delegates being present from the leading nations; neither conference reached definite results beyond the probable addition of some of the minor powers to the Latin Monetary Union. In general, however, the decimal system was in the ascendant at both conferences; and, no doubt, much of the subsequent effort of other nations to reform their own money upon the decimal scale, was influenced by these discussions and their wide publication.

Chevalier, the French authority, in 1868, proposed a universal money unit of one gramme of gold, 900 fine; which would have the value of about 60 cents, U. S. standard; or to be more exact, 59.73 cents. This, however, could not be co-ordinated with any existing stand-

ard without a very considerable and often vexatious adjustment. No multiple or division of U. S. money would have any relation to 59.73 cents; nor would its equivalent of 3 francs and 9 centimes readily find lodgment in the French system.

For the last thirty or more years, universal coinage has been overwhelmed by the more acute problem of bi-metallism and has not been seriously discussed in France.

British Discussions

The following quotation from Prof. C. F. Bastable, an eminent British authority, bringing the history of universal coinage down to 1889, came under the writer's eye after this pamphlet was written. It is interpolated with satisfaction because of the support its conclusions seem to give to the fundamental views expressed in these pages:

"It is premature to expect a system which will be international as well as decimal, and the most that can be hoped for is some progress toward that ultimate end. All that can be said at present is that all schemes for the introduction of the decimal system should be considered with regard to their tendency to help towards the assimilation of the English system to other currencies.

"An international monetary conference was

held in Paris in 1867, in advocacy of universal coinage, and laid down as necessary principles; the gold standard; the decimal scale; and co-ordination with the French system.

"The most probable conclusion, however, seems to be that the future unit will not be any of these coins—pound (sovereign), franc, or dollar—but the result of a compromise, which will lead to a new system being established. The difficulties which arise when universal coinage schemes are brought forward ought not to conceal from us the solid advantages such an institution would confer on the world, as follows: Increased facility of traveling; greater ease in adjusting foreign exchanges; in comparing price lists, which is regarded by competent judges as the greatest."

American Discussions

The proceedings of the American Metrological Society, in the late seventies and early eighties, under the presidency of Prof. F. A. P. Barnard, the then head of Columbia University, furnished at the time the last word on unification of coinage. The Society included in its membership most of the then leaders in advancing the adoption of standard time, and in promoting the use of the metric system of weights, measures and coinage. The writer was one of the disciples or youthful members, admitted to this metrological priesthood, in the hope, on the part of both instructors and

pupils, that enough of the enthusiasm of the older would be caught by and inspire the younger members to continue the work. In now looking over the Society's membership list of 1879, one has to make very long skips to find the names of its few survivors. These gaps represent those who were the important members, and account for the lapse of many years since the subject has been earnestly discussed.

American Metrological Society's Action

At a meeting of the Society, held at Columbia University in 1879, a Committee on International Coinage submitted the following report:

"It is not to be disputed that an international coinage occupying the field exclusively would be preferable to one which must co-exist with many others which are national and local. The certainty has been, however, pretty fully established, by the failure of all past efforts, that such an exclusive system will never be abruptly adopted by the common consent of nations. Such a system may, nevertheless, be the ultimate outcome of an independent scheme introduced at first only as a co-ordinate with the systems which actually exist. A result of this kind is probable; because, first, all the coinages of the world are likely to become sooner or later metric, and thus to be brought into increasingly simple relations with the international metric coinage; and because, secondly, familiarity with the international

coin is likely to secure for it ultimately a preference over the national.

"Thus the great object of the unification of coinages, which it may be pronounced an impossibility to accomplish by any measure involving sudden or violent change, will finally accomplish itself by common consent and in a manner almost insensible.

"In view of these considerations the Committee have prepared certain resolutions which they here submit and recommend for adoption.

F. A. P. Barnard,
F. A. Walker,
And Others,
Committee."

After a full discussion of the report, participated in by members of the Society who had attended the Paris Conference of 1878, the following resolution, submitted by the above Committee, was adopted:

"*Resolved*—That in view of the great advantages which might result from the establishment of a monetary system common to all the nations, and in view of the great difficulties in the way of the introduction of an international system to the exclusion of the various national systems now existing, it is in the judgment of the Society greatly to be desired that by the concurrent action of the nations of the civilized world, there should be created and issued an international coinage, to have currency along with and as part of every national coinage, founded on the gram weight of gold, nine-tenths fine, as its basic unit; and the consisting of coins bearing no denominational stamp but that of their weight in grams."

It is remarkable what a clear insight into the need and the importance of an international standard President Barnard possessed, as shown by his reports and addresses. To be consistent with its name and stated objects, the Society struggled with the difficult problem of discovering a money unit in the metric tables that would be inter-convertible with British and American standards, which are based on troy weight.

However, the discussions of the Society were more or less academic; it is not recalled that there were efforts made, by preparing comparative tables, to harmonize any unit with the then existing national standards; that was left to the mint officials and the cambists. Nevertheless, the published declaration of the Society that: "The introduction of a new and independent monetary unit, as a co-ordinate with existing standards, is the first step to be taken toward the unification of coinage," is of great value as the consensus of the best opinion on the subject now of record in this country.

The Union Dollar

The writer, in pamphlets published during the silver discussions of fifteen or twenty years ago, suggested an interna-

tional or union silver dollar of the weight and fineness of the Mexican peso, so popular in Asiatic commerce. The object was to find a larger use for silver by putting international commerce, especially with any country where the Mexican peso was already current, on a silver basis, leaving the gold supply to the Western nations for their domestic standards. Another object was to publish price lists in this union dollar standard, for use in Central and South America and in the Orient. However, the placing of Mexico, Japan and the principal South American states on a gold basis, called for the change of the proposed international standard to gold. Much of the material collected in those studies has been used in formulating the present suggestion of the unim decimal standard.

IV

POSSIBLE EXTENSIONS OF THE UNIM SYSTEM

Coffee As a Basis For Currency

THE Brazilian Government to relieve the coffee growers from embarrassment, through the loss of so much of the European market by the world war, it is understood, is seeking a loan in order to enable it to carry the surplus production over until normal conditions again prevail.

This would seem a favorable opportunity for Brazil to unite in an international currency movement; the coffee could be stored either in her own or foreign ports as a basis for an issue on her part. The use of warehouse receipts as such basis would be entirely feasible. The currency to be redeemable in warehouse receipts at a fixed price, in convenient multiples; at a price adjusted at certain periods in accordance with the average market price for the previous month; or, at the option of the Government, in the gold equivalent at face value. This would ensure the sale of the

crop at a reasonable export price by distributing sales throughout the year and thus prevent any extreme break in the market.

If this export price were made too high, the currency would not so freely circulate; therefore, this check on overvaluation would be automatic. Moreover, as is well known, coffee improves with age but also shrinks in weight. These questions and provisions for storage charges could be left to the trade experts for adjustment.

The advantage would be that with the international currency in hand, the planters, bankers, merchants and others depending on the sale of the crop could pay their foreign debts therein and place orders abroad for their next year's requirements. This would be a better measure than adding to the local paper circulation to carry the surplus crop, with the attending evils of inflation, including the increase in any discount on pre-existing issues. The tentative note models shown hereinafter will suggest the form in which the currency might be issued.

Cotton As a Basis For Currency

The same advantages would accrue to the grower of cotton in the United

States as the above suggestion would bring to the Brazilian coffee planter.

Statistics, covering many years, show that when the cotton crop is large the price falls to the lowest point just before the principal part of the product is ready for market. The buyers know that the merchants, bankers and producers in every important cotton district have strained their resources and credit to the uttermost and are relying on a quick sale as soon as the bales are ready for shipment. The speculators buy at this low point, feeling assured that after the crop has passed into strong hands prices will advance; and their foresight rarely misleads them.

On the other hand, the grower is at the mercy of the elements, of the plant's natural enemies and of labor from the first day he starts his plows, and remains under the strain until the cotton is in the bale. As a rule, he is fortunate, even with a good crop, if he ends the season without loss. Those who reap the chief profit are the speculative buyers and especially, the dealers in futures. The latter, through buying the short options and shifting to the longer if the market is not propitious, can make, with the exercise of judgment, on one or two hundred bales carried on a small mar-

gin, more than the average producer can ever hope to make on his crop. The option dealer, as a rule, never saw a cotton field; yet, by sitting down and keeping his nerve, he gains a livelihood from that which the grower so laboriously produces. Possibly, as some hold, he may serve as a balance wheel keeping the market from sudden changes: but some way should be devised to save this profit for the benefit of the producer.

There has long been sought a remedy for the rapid and unhealthy fluctuations in cotton, a commodity almost second to none among the world's necessities. The ultimate consumer (wearer) of a cotton garment, costing him a dollar and containing the fraction of a pound of raw material, is not concerned whether the cotton brought the grower ten cents a pound or eight.

If, as suggested in the foregoing clause on Brazilian coffee, the stock accumulated at ports frequented by foreign buyers be used, by the pledge of the warehouse receipts, for an issue of international currency, an advance could be made to the grower to cover his pressing needs; and, through this means, the sales being distributed throughout the year as the demand arises, the price would be better regula-

ted than, as at present, by every producer of five or ten bales being left to the mercy of the single buyer at his shipping station, for want of an alternative.

It would require but little augmentation of the powers of a federal reserve bank to, in this manner, issue the proposed currency. (See appended law.)

Co-operative Selling For Export

As two-thirds of the American cotton crop is exported, the aggregate port valuation being some $500,000,000, there seems to be a slipping of the wheels somewhere that such a volume of the world's commerce passes out to sea without the farmer being satisfactorily and even generously compensated for his labor and risk in producing it. Especially, as most of the population of the world depends on this cotton for clothing and household comforts; for no other country has so far been able to compete in the growing of this beneficient product; and if the American farmer should give up its cultivation almost the whole of mankind would feel the loss.

The solidarity of the French Republic and the German Empire is based on the efficiency with which every member of the population is utilized and reasonably compensated for whatever he con-

tributes to the needs of the social structure. The farmer is paid all his crop will bear; those into whose hands it passes from his see to it that he is encouraged to till every square rod he has by making a profit even though a small one. If the farmer should lose heart the nation would feel it; consequently, if his land is wearing out provision is made to supply him with fertilizers, by the banks bridging him over; he is not allowed to become discouraged.

A great feature of the producer's success in Europe is highly organized co-operative selling. There is no surprise awaiting him when the sales agent sends his report. He is not informed that his shipment reached a glutted market and netted only the charges, leaving nothing for him. Such reckless waste as is common here would not occur under the efficient management practiced in older countries.

A very large proportion of the cotton crop is, as already stated, sold at small railway stations; where, whether by agreement among or an economic distribution of buyers, there is but one purchaser, to whom the farmer must sell his wagon load of two bales, haul them back or leave them at the station. The result is the price he gets is often wholly

out of proportion to the ruling quotation in the larger market, even after allowing for the freight and other items he saves by the sale. To him the fractions of the price are often the difference between profit and loss. To paraphrase a familiar saying: A few eighths more, what hopes they raise; a few eighths less, what debts they leave.

Redemption of Commodity Secured Currency

The currency issued against cotton, as shown by the hereinafter suggested form of circulating note, should of course be redeemable either on demand or under regulations sufficiently favorable to the holder to induce him to keep it outstanding until the cotton is sold. For example: When the spot price is the equivalent of eight centims for a standard classification at an interior railway point, the currency would be redeemable in multiples of one hundred unims, in cotton at ten centims per pound, on presentation at a specified seaport; with the option reserved of selling the cotton and redeeming the currency at its face value in cash. By redemption in cotton at the port, the holder of the currency would escape all

freight and carrying charges; this inducement would keep it outstanding till the last moment by those accumulating the currency for this purpose.

There would necessarily have to be, as a part of the general plan herein outlined, a co-operative organization formed, with a closely affiliated sub-organization in each cotton state, to be known as the American Cotton Export Company, to undertake sales abroad, or for export, of cotton and its immediate products. This should be organized on the efficient lines of the export departments of the Standard Oil Company and the United States Steel Corporation; and, if possible, a man already trained in methods of finding markets abroad should be put at the head of the new corporation. The latter, preferably, to be composed of representative cotton planters, bankers, merchants and railroad managers immediately interested in the prosperity of the cotton producing region, therefore able to offer their services free; and only the working staff to be salaried. Every producer who disposes of his product through the above referred to sub-organization in his own state to be a constructive shareholder of the same for the crop year and to vote at its elections in proportion to the

bales he has put into its hands, until sold and settlement made for any equity he might have in them. Such a settlement of any resulting equity might be effected under the system of "patronage dividends," as very fully worked out by the accounting experts of the U. S. Department of Agriculture for co-operative grain elevators and warehouses.

The station agent, through the above co-operation of the railway managers, would give a receipt for the cotton delivered him on a general classification and forward it to the state organization's seaport or central warehouse, where it would be properly classified for the benefit and on behalf of the grower.

The currency to be accepted by the farmer, at par; although, to avoid the necessity of employing large capital, six months to be allowed before presentation; but, if presented earlier, one per cent to be deducted from its face for every two months or fraction thereof before maturity. The idea, which is a new one, is that by this arrangement the issues would be made, without interest, direct to the farmer, with the expectation that bankers, storekeepers, labor, etc., will be glad to accept them, at par, in order to close the farmer's accounts for the past year; for there is every

probability that with this currency storekeepers could replace stocks for the next year, by paying off old accounts and then receiving new credits. Any of this money sent abroad would be outstanding for so long that the time to run would be negligible; moreover, any sales prior to six months would enable notes presented before maturity to be taken up and thus enhance the credit of the issue.

Carrying Charges on Cotton

The generally accepted estimate of the expense of carrying cotton is one-tenth of a cent per pound, per month; or one and twenty-hundredths of a cent per pound, per annum. This covers interest on the required capital, storage, insurance and other incidental charges. By adding eight-tenths of a cent per pound for freight, risk of the market etc., the basis of two cents per pound is reached as the difference between the estimated value at the initial shipping point and the sea port. Assuming that, as a general thing, interest absorbs half the original itemized charges, the advantage to the grower of the proposed issue of international currency, without interest, is obvious.

Manufacture of Cotton Goods for Export

Inasmuch as it more advantageous in every way to export cotton in a manufactured than in the raw state, if not indeed necessary to do so in order to compete in the South American and Asiatic markets, the above described system of issuing currency against warehouse receipts might properly be extended to the simpler forms of manufacture, in which the value of the raw material approximates half that of the manufactured product; this classification would include yarns, sheetings, osnaburgs, print cloths and the cheaper class of staple prints. This would permit the manufacture to be conducted in the best climatic seasons; mill operatives could engage for a part of the year in out-door occupations, especially in the South, where they are needed in the cotton fields; likewise, a better regulation of the child labor problem would be possible.

Another advantage this manufacture specially for export would possess is the possibility of providing for the weaving of fabrics in metric widths and lengths and so marking them. In Latin-American countries, the metric system of measures is almost universal, and one great

drawback to selling them American-made goods, measured by inches in width and yards in length, is that this scale leads to confusion and oftentimes to waste. This handicap to American trade cannot be too strongly dwelt upon. Foreign merchants will pay a higher price or buy inferior goods to meet this preference of their customers. No manufacturers unwilling to take the trouble or unable to supply what the user wants can expect an important share of this trade.

Aiding The Export of Coal

British coal exports will grow less, year by year, as the mines are worked deeper, the thicker veins become exhausted and the home demand increases. No other European nation is a factor in the shipment of coal abroad. The Mediterranean, Caribbean, Panama Canal and South American demands must ultimately be supplied by this country.

In the hurricane season, August and September, coal freights to the tropics are higher than at other times; shipments, therefore, are more advantageously made in April, May, June and July, just when the coal producers are experiencing their dullest season and are desirous of keeping their mines in oper-

ation. To move extensive stocks of coal to Central and South American ports and carry them for several months takes large capital; and to conduct the trade advantageously, the vessels should be loaded back with ores, cabinet and dyewoods, rubber, fibres, coffee, sugar, etc., which also requires capital; therefore, this interchange of commodities would be greatly fostered if coal exporters could pledge their stocks of coal for international currency, with which to pay their freights and re-invest in return cargoes of tropical products.

proposed to be set aside for the conduct of foreign business is inadequate, or if for other reasons the granting of such application is deemed inexpedient.

"**142.** Every national banking association which shall receive authority to establish foreign branches shall be required at all times to furnish information concerning the condition of such branches to the Comptroller of the Currency upon demand, and the Federal Reserve Board may order special examinations of the said foreign branches at such time or times as it may deem best. Every such national banking association shall conduct the accounts of each foreign branch independently of the accounts of other foreign branches established by it and of its home office, and shall at the end of each fiscal period transfer to its general ledger the profit or loss accruing at each branch as a separate item."

How to Issue The Currency

The Federal Reserve Act permits large national banks to establish branches abroad, under regulations left to the judgment of the Reserve Board; also, it provides that the accounts of such branches must be kept separate from the other business of the bank.

This would enable a bank to establish branches in Liverpool, Havre, and Rio Janeiro; where they could issue unim currency secured by warehouse receipts, as a measure to promote foreign commerce, and keep drawing-accounts with the home bank in the same money. While this currency would not be a legal tender, it would, like non-legal tender national bank notes, have a wide circulation by common consent. Since the issues would be made by the foreign branches to promote foreign commerce, they could be turned over to the proposed American Cotton Export Company, as fast as its warehouse receipts were delivered, by the home bank as the agent of the foreign branches; which plan would avoid infringing on the domain of national bank circulation.

Local Franchises

Latin-American countries are anxious to improve their banking facilities, and no doubt would give large American national banks very liberal franchises for issuing currency of an international character through branches, as no question of conflicting interests could be raised by local banks of issue.

United States Supervision

The provision of the Act, for supervision by the Comptroller of the Currency of the business of branches, is a very fortunate circumstance; for it will give a world-wide confidence in the issues of such branches that could hardly be obtained by strictly local banks in Latin-America for their domestic circulation.

This supervision would ensure the currency such credit that it would be kept outstanding, with no other security than a legal reserve of 33 per cent. which could be held mainly in the vaults of the home bank.

Branches in U. S. Dependencies

The Federal Reserve Act likewise authorizes branches in the U. S. dependencies. The issues of a branch on the Canal Zone would be welcomed and circulate throughout Central and South America. Possibly, a franchise might be obtained from the Republic of Panama, which would be practically the same thing, if the reserves and redemptions were at the home bank.

Aid to Foreign Commerce

One of the expected benefits of the Federal Reserve Act is the promotion of

foreign trade, and it hardly requires argument that to reach this result nothing better could be devised than a stable international money, readily inter-convertible with local standards.

A case in point showing the need of an improvement in existing conditions is furnished by the explanation recently given by the American Consul General at Valparaiso, Chile, why Chilean import firms of standing sometimes allow bills drawn against them to go to protest: That owing to the sharp fluctuations in Chilean exchange the value of the local peso varies sometimes ten to twelve per cent. in a month, and the inclination is to postpone payment a few days when the rate is adverse. This practice must be very unsatisfactory to the foreign drawers of the bills of exchange and to the banks discounting them. A stable international money coming into the hands of local merchants, through the sale of their products to exporters, and accummulated against expected bills—or which could be borrowed on occasion—would relieve this difficulty and steady local exchange rates.

Value of the Present Opportunity

Just now, is a favorable time for this country to gain the better footing in

Latin-America that such an international currency would afford its commercial interest; and such a footing once established would give this country a great future advantage.

A serious problem in Latin-American trade is how to shorten the long credits required to carry the mercantile interest where one crop with one shipping season is the rule. The present custom is to ship European manufactures to South America, the returning vessels loading coffee, rubber, etc., for the United States and there taking home-bound cargoes of cotton or grain. By such triangular voyages the United States finances the commerce of South America for the benefit of the European manufacturer; and the plan enables the latter to enjoy cheap outward rates; for vessels are always sure of paying cargoes both to and from the United States.

The great market for coffee and rubber is the United States. South America would prefer American to European manufactures, even at a higher price, if readily obtainable and in packages suitable for inland transportation, which is often by pack animal over mountain trails; but the merchant takes his pay in exportable products and before he can settle for his own

purchases must ship these products to the United States and have the proceeds put to his credit in London; this takes time. If the merchant could make a sale of his exportable products for an international currency, either at his shipping port or in the United States, he could settle his accounts in this country more quickly. At present, the importation of tropical products into the United States is almost wholly in the hands of Europeans, who establish houses here for the purpose of maintaining this control. These houses fill return orders here for the few such goods as their European connections cannot supply, but the rest of the orders go to them. The result is that South American imports are, in the main, from Great Britain and Germany; though very largely paid for by the exports to this country.

1 Unim = $1.014.

No. **International Money** U. 100.

This certifies that there has been deposited in the..........Bank of ....the equivalent of

One Hundred Unims

in warehouse receipts for cotton of standard middling grade at a valuation of centims, per pound; or, of official variations therefrom in grade and weight of equal value; subject, after six months from the date hereof, to the order of the bearer in multiples of 500-lb bales, at an U. S. cotton exporting port, at two centims per pound advance in price, free of freight and carrying charges; or, at the option of said bank, the equivalent hereof to be payable wholly or in part in gold coin of standard weight and fineness, less one per cent. for each two months, or fraction thereof, of the unexpired time, if presented prior to maturity.

Date ....Cashier

100 Unims = $101.40.

1 Franc = 19 Centims.

No. **International Money** U. 50

This certifies that there has been deposited in the Bank of Gaul the equivalent of

Fifty Unims

in the interest-bearing secured debt of the French Republic subject to the order of the bearer hereof, when presented in multiples of 190 Unims, that is to say 1,000 francs; or, payable wholly or in part, at the option of this Bank, in gold coin of present standard, at the rate of conversion in the margin hereof.

Date.................... ....Cashier

50 Unims = Fcs. 263.15.

£1 = 4.80 Unims.

No. **International Money** U. 100.

This certifies that there has been deposited in the Bank of Albion the equivalent of

One Hundred Unims

in the interest-bearing secured debt of the Kingdom of Great Britain and Ireland, subject to the order of the bearer hereof, when presented with similar certificates in multiples of four hundred and eighty unims, that is to say £100; or, at the option of the Governor and Company of this Bank, payable wholly or in part in gold coin of present standard, at the rate of conversion stated hereon.

Date ....Cashier

100 Unims = £20.16.8.